

The Importance of Entrepreneurship Competitions to Spread Entrepreneurship Spirit and to Support Startup Creation – a survey in Portugal

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Abstract

Increasing entrepreneurship has become an objective for many governments, local authorities, business associations and universities.

One of the strategies adopted in many western countries, including Portugal, has been the creation of idea or project or idea competitions.

These contests vary from a national to a regional scope. Many universities in Europe create competitions exclusively to their students.

The aim of this research is to question the participants on these contests about the effects of their participation.

A sample was created with the help of the organizers of such contests in Portugal, in the past couple of years. This sample included winners and losers, projects selected to the final phases of the contests and projects not selected.

A questionnaire was sent to this sample, addressing their opinion on the results of their participation.

The objective was to evaluate whether the participation in the competition influentiated the participants' willingness and ability to create a company.

It also tried to assess the contribution to the participants' capacity to make good projects, gather resources and actually create startups.

Keywords

Entrepreneurship, innovation, competition

1. Introduction

Entrepreneurship contests are fast becoming popular, both in their simplest form where only a description of the business idea is required from the participants and in the most complete version, where full business plans are evaluated.

This is greatly due to the increasing interest in entrepreneurship education (Bonnett and Furnham, 1991; Filion, 1994; Lewis and Massey, 2003; Pratten and Ashford, 2000; Vinten and Alcock, 2004.), which in turn, results from the increase in new strategies to improve entrepreneurial activity in most modern economies (Gaspar, 2008).

Whether the participation in these competitions is good for the participants, whether it improves their ability to create a startup or helps them improve their projects is something that has only been studied by the published literature in the surface (Yu & Man, 2007).

This work will try to reduce this hole in the literature, analyzing the contribution of Portuguese entrepreneurship competition for the participants and for their projects.

2. Why entrepreneurship competitions?

Entrepreneurship competitions have a natural (and difficult to measure) effect on the society's attitude towards this phenomenon and it increases people's awareness for business ideas detection and development.

Other results of these competitions can, however, be more easily measured and studied. This research project will try to evaluate the competitions' contribution to develop entrepreneur's ability to plan and to prepare a business plan, thus following the literature that points at previous planning as a major contribution for entrepreneurial success (Shuman et al., 1985, Timmons et al., 1985, Sexton & Bowman-Upton, 1981, Bracker, Keats and Pearson, 1987, Hisrich & Peters, 1989, Castrogiovanni, 1996).

This study will also evaluate the competitions' contribution to improve the participants' projects.

3. Methodology

A questionnaire was distributed by the participants in 6 such competitions in Portugal. This questionnaire was constructed based on the published literature (Pratten & Ashford, 2000 and Gaspar, 2009).

A sample of 34 participants returned those questionnaires. Since the total number of participants was not disclosed by the organizations of the contests, it's impossible to know the answer rate to this questionnaire.

The answers came from people who participated in competitions taking place in the years 2006-2008.

They came from people who ended up in first, second, third, ... up to 30th place in the competition they participated in. Eighteen of them said they had won some sort of prize in the competition.

In the end, only seven of these participants actually created a company based on their participation in the competition.

The questionnaires were designed to collect the participants' evaluation of their participation in the competition.

For that purpose, it included a) one question to evaluate the participants' satisfaction with their experience in the competition, b) a five item question to measure how they appraised the contribute of the competition to improve their projects and c) a four item question to measure their appraisal of the competitions' contribution to their skills.

Data was collected in the final quarter of 2008.

4. Results

One of the main aspects that this research intends to study is the impact of the entrepreneurship competitions in the promotion of entrepreneurial activity, specifically, in the enterprising attitude of the participants, in the facilitation of the startup process, in the development of entrepreneurs' abilities and in the support to the concretization of their projects.

Entrepreneurship competitions can have a diversity of impacts on different levels of the entrepreneurial process. The results of this study shade some light on the perception that the competitors have of the impact their participation had.

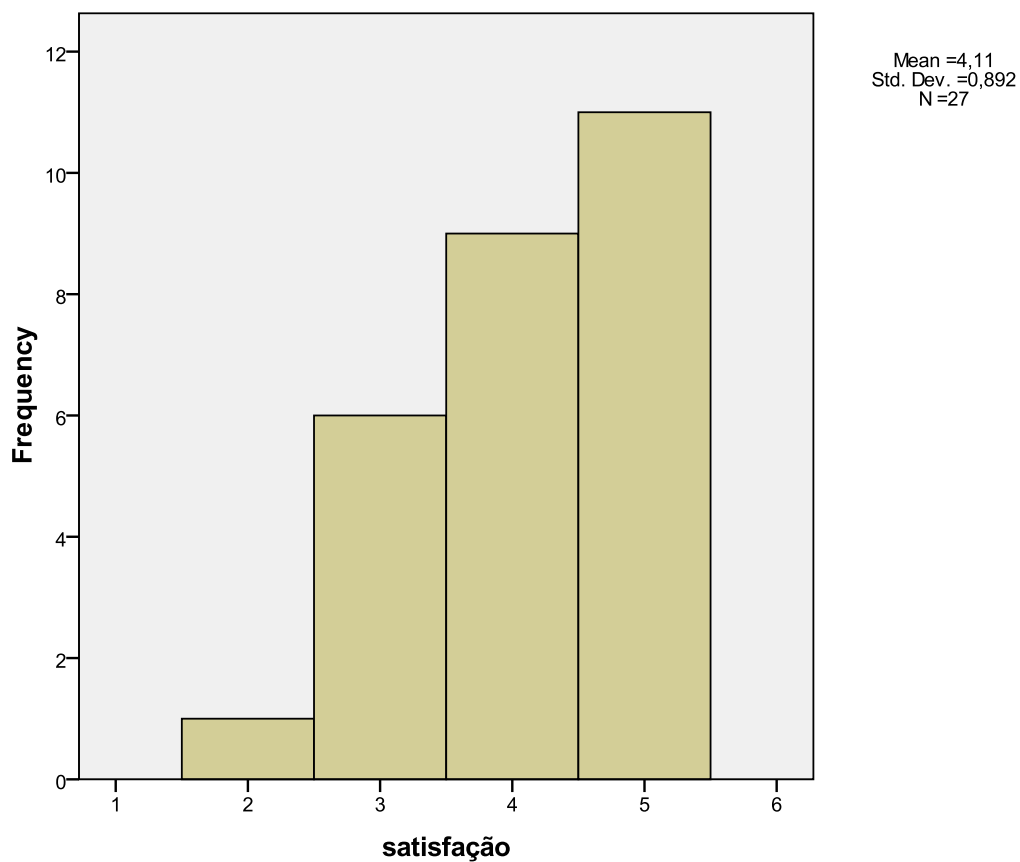
On the other hand, we can also identify the necessities of additional information to better characterize the impact of these competitions in the promotion of entrepreneurship.

This research verified that the participants' showed themselves rather satisfied with their participation in the competitions, even though only a few of them won and only a handful actually created their startup.

This can be observed in Figure 1. In a 1 to 5 satisfaction scale, more than **74%** of the participant chose 4 or 5 (satisfied or very satisfied).

However, it remains to be known which were the main reasons for this satisfaction, because they can be diverse and dependent of the context of each competition.

Figure 1 - Satisfaction



As for the contribution for the development of his idea or business project, the participants considered that their participation in the competition had a positive contribution to improve their business plan or idea (**Erro! Auto-referência de marcador inválida.**).

However, it is verified that 13% considers that the competition had no impact in this domain. That can mean that the competition had little impact in the development of the idea and in the plan of business. This can be one of the aspects to modify in future competitions: maybe support to competitors in these two areas could be increased.

About the impact on the assembling of resources for the startup, the competitors were not convinced that participating in the competition had helped improve their ability to gather the resources needed to start a company (Figure 3).

It must be pointed out that 51% of the participants consider that it did not have any impact in this domain. This result probably comes from the fact that competitors who lost probably had no reward, while the winners had financial support to create their startups

Another possible explanation can be the quality of the submitted projects, that is, maybe their economic viability and market competitiveness did not attract potential investors. This is clearly another of the domains where the competitions could act differently, in order to improve their effectiveness in entrepreneurship promotion.

Figure 2 - Improve business plan

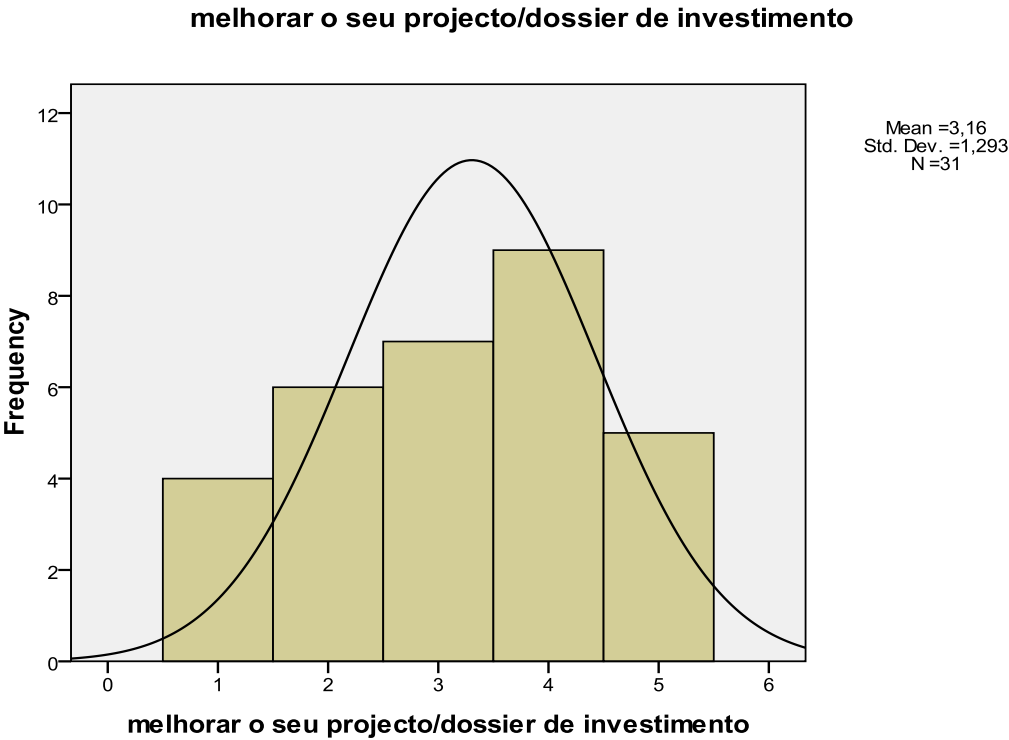
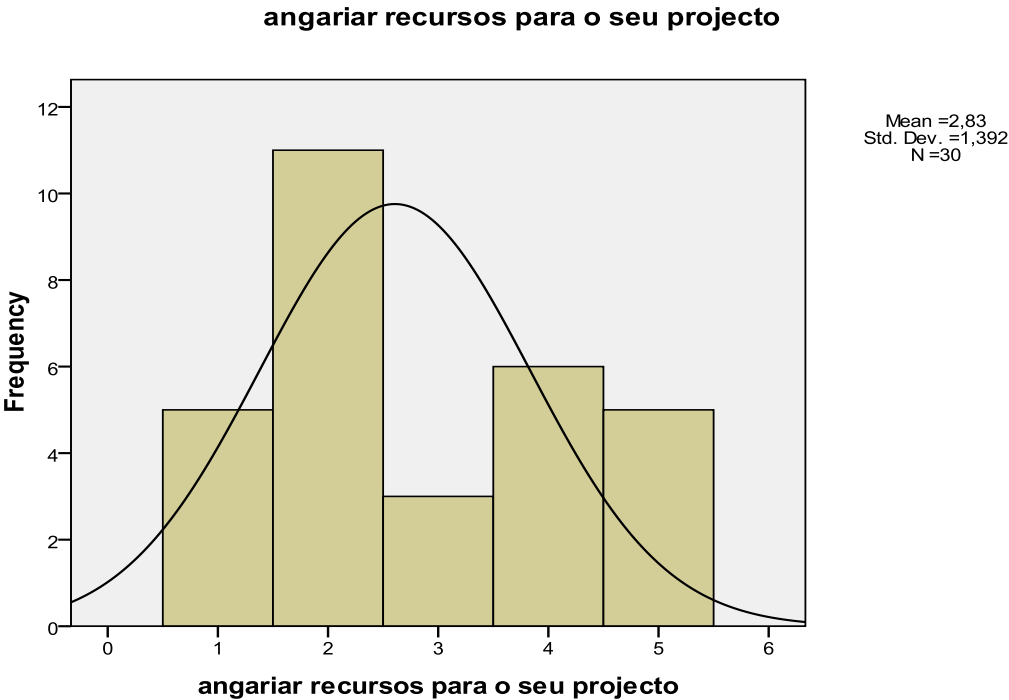


Figure 3 - Help get resources for the project



In relation to the contribution for the decision to create or not a startup, that is, for the implementation of the plan of presented business, it is verified that the participants were extreme in their evaluation of the competitions' contribution to their decision to startup (or not). Figure 4 show that the same number of participants considered that participation important and unimportant.

About this aspect it is important to have additional information to better understand these answers. The competitors who had gotten support from the competition had an important contribution to go through with the creation of their startup. The same goes for those who identified an interesting market opportunity when they developed the business plan they submitted to the competition.

The question remains: why did 47% of the competitors answered that that the competition had no contribution to the decision to create or not to create a startup?

Maybe they never intended to create a company in the first place (which must be the most likely) or they had already decided to create their company before participating in the competition.

This is clearly an issue to be further studied in future research.

It is also an issue to be considered by future entrepreneurship competitions if they intend to develop the creation of companies.

Interestingly enough, a majority (53%) of participants considered (Figure 5) that entering the competition contributed or led them to reformulate their original business idea.

On this issue we can conclude that the studied competitions had a positive impact in one of the fundamental aspects of the entrepreneurial process: the identification of a business opportunity and its concretization through a business plan.

The opposite can be said about the contribution of the contest to their ability to get a startup to the market. Most participants (69%) said it didn't help (Figure 6).

This situation can be explained with the fact that the competitions did not focus on the phase of launching the company in the market. This phase of the entrepreneurial process

should be focused by another type of initiative with the specific objective of maximizing the startups' survival rate.

With this consideration in mind we can say that, in the end of the day, the 25% who said the competition had a positive impact in their capacity to launch a company in the market, although a small number is an important contribution to the entrepreneurial process.

Figure 4 - contribution to the decision to create

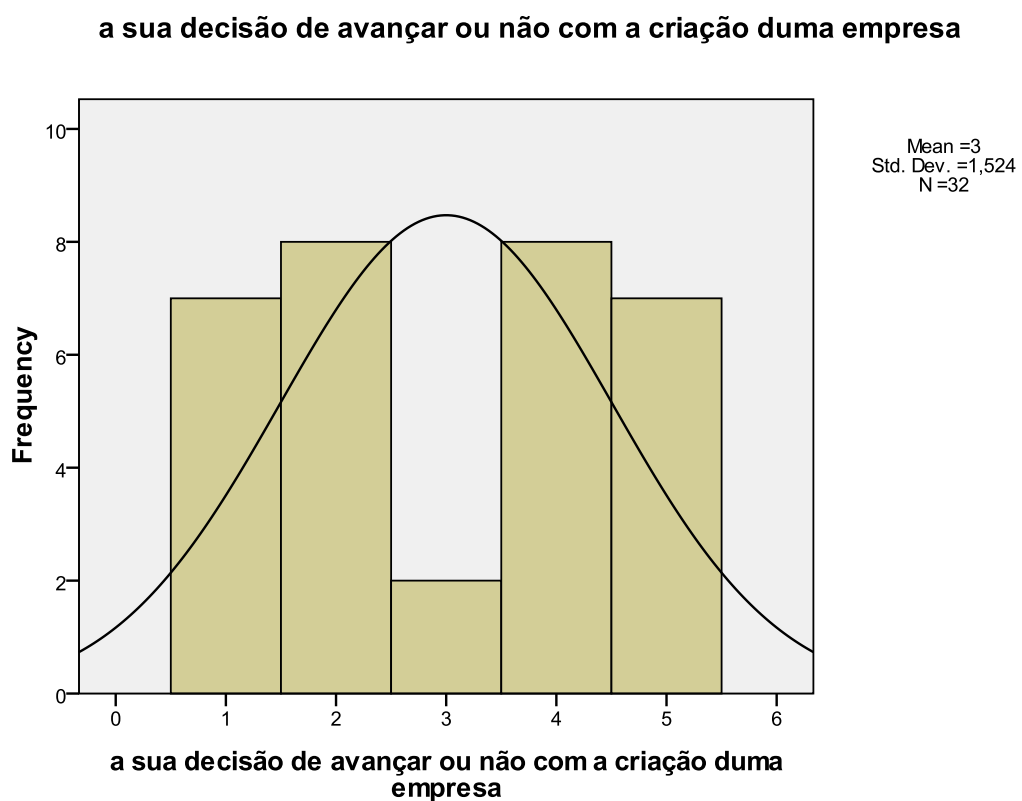


Figure 5 - contribution to reformulate the business idea

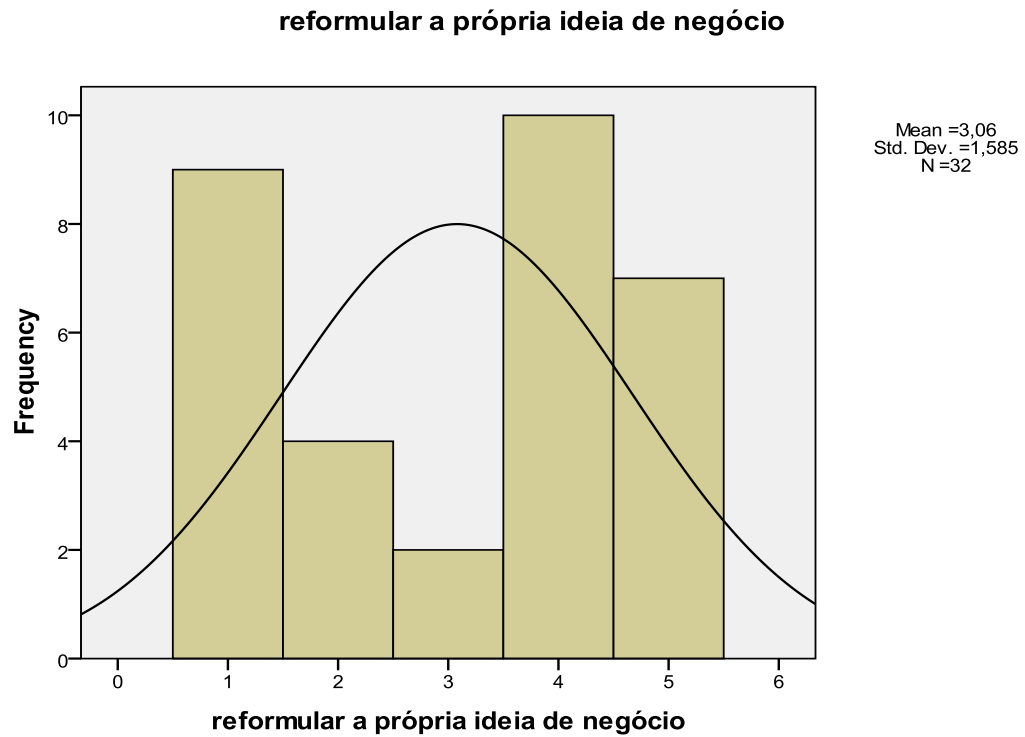
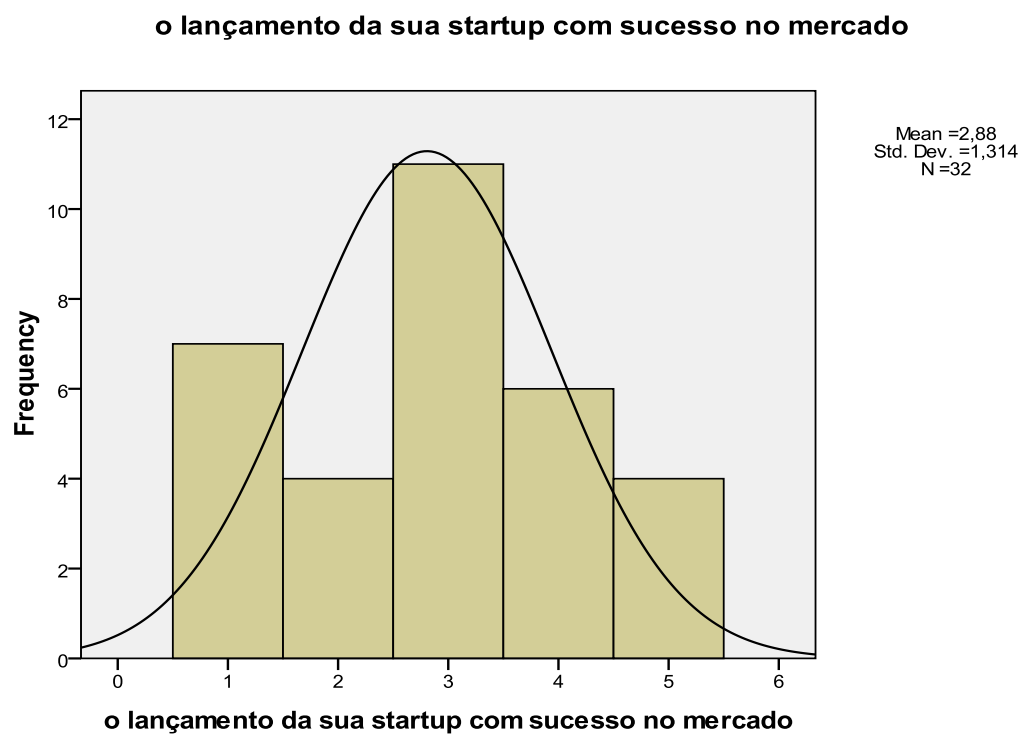


Figure 6 – ability to launch the startup in the market



The participants proved to be mostly happy (56%) with the contest contribution to their ability to identify business ideas (Figure 7), which they considered positive.

This result is consistent with the answers to question 5, regarding the competitions' contribution to the reformulation of the business idea.

Therefore, one can reinforce the earlier conclusion that the studied competitions had a positive impact in one of the basic aspects of the entrepreneurial process: the identification of a business opportunity and its concretion through a business plan.

The same can be said about the competitions' contribution to the participants' ability to evaluate business ideas (Figure 8), which they considered positive (60%).

This result is also consistent with the answers to questions 5 and 7, that is, the studied competitions had a very positive impact in the identification and evaluation of business ideas.

However, the competitions' contribution to the participants' ability to gather resources (Figure 9), is weaker. Only 38% of the competitors considered its contribution positive.

This result is also consistent with the answers to question the 3, therefore all the earlier considerations regarding the help given for the gathering of resources.

As already underlined, this is clearly another one of the areas where the competitions should act differently in order to increase their effectiveness in entrepreneurship promotion.

Figure 7 - ability to identify business ideas

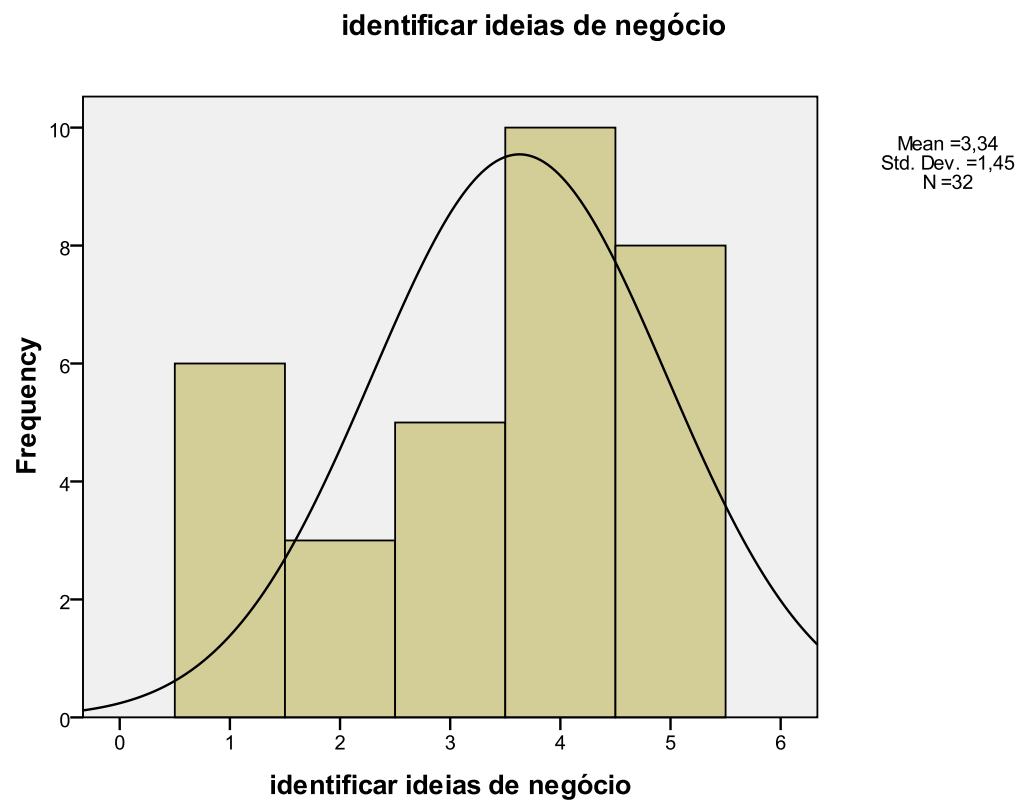


Figure 8 - ability to evaluate a business opportunity

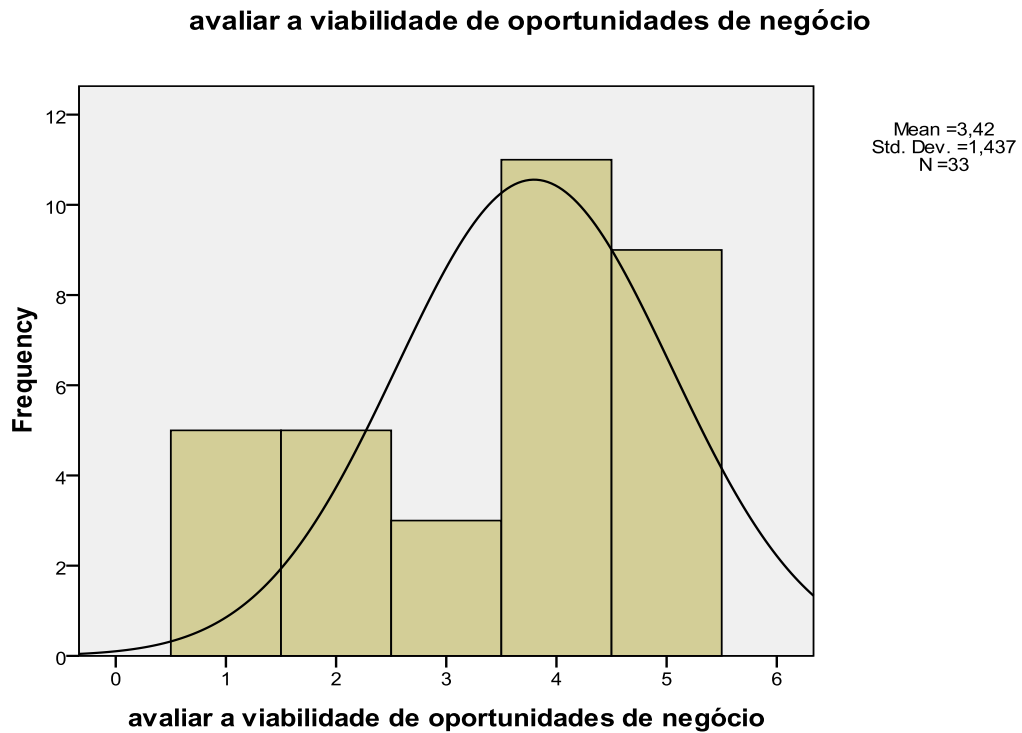
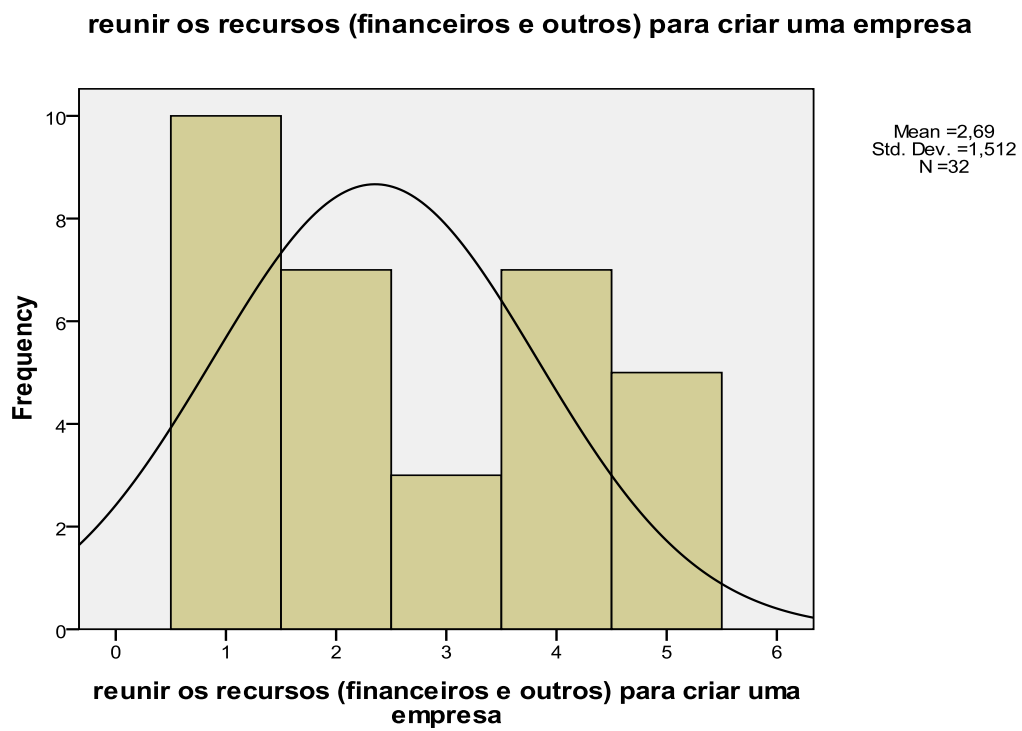


Figure 9 - ability to gather resources for the startup



One question that the figures raise was then analyzed. Were the respondents answers influenced by having (or not) won a prize?

Table 1 shows the results of the comparison between the two sub-samples. The variables shown in the table are the ones that revealed statistically significant differences between the two sub-samples.

The participants that won some prize value their participation in the competition less than the others in only two variables: the contribution to their ability to gather resources (a large difference: 0,333 less in a 1 to 5 scale) and the contribution to the reformulation of their initial business ideas (a smaller difference: only -0,056).

In all other variables, the winners valued their participation more than non-winners.

Another relevant issue is to know how many of the candidates who answered this study, actually created its company.

The same goes for knowing, from those who didn't, which was the reason and whether they gave up on the project or just postponed it.

These three contexts, or groups of competitors, can potentially influence the answers given to the questions. This situation should therefore be further studied in future work.

Table 1 - sample comparison

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
satisfaction	Equal variances assumed	1,025	,322	,057	22	,955	,022	,388
	Equal variances not assumed			,061	20,150	,952	,022	,365
Did you materialize your project?	Equal variances assumed	1,237	,277	,602	25	,553	,111	,185
	Equal variances not assumed			,570	14,043	,577	,111	,195
improve the project	Equal variances assumed	,345	,562	,282	24	,781	,167	,591
	Equal variances not assumed			,291	14,636	,775	,167	,572
gather resources for the startup	Equal variances assumed	,247	,624	,441	23	,663	,265	,600
	Equal variances not assumed			,457	15,071	,654	,265	,580
reformulate the business idea	Equal variances assumed	,480	,495	-,090	25	,929	-,056	,619
	Equal variances not assumed			-,087	14,757	,932	-,056	,640
launch the startup in the market	Equal variances assumed	,014	,907	,213	24	,833	,111	,522
	Equal variances not assumed			,216	14,017	,832	,111	,514
identify business ideas	Equal variances assumed	5,744	,025	,223	24	,826	,139	,624
	Equal variances not assumed			,189	9,746	,854	,139	,736
evaluate the viability of business chances	Equal variances assumed	1,198	,284	,282	25	,780	,167	,592
	Equal variances not assumed			,261	13,308	,798	,167	,638
congregate the resources (financial and others) to create a company	Equal variances assumed	,025	,875	-,523	24	,606	-,333	,637
	Equal variances not assumed			-,521	13,368	,611	-,333	,640

5. Conclusions

The entrepreneurship competitions in Portugal seem to have a positive result for the participants.

They showed themselves happy with their participation in those competitions.

They valued especially the contribution to their ability to identify and evaluate business opportunities. It also proved useful (in the eyes of the participants) to improve the business plans they submitted to those competitions.

There was no evidence of these competitions improving the quality of the projects, the only positive contribution was to the participants' abilities.

The winners of those competitions were naturally happier with their participation than the non winners.

Naturally the winners didn't think the competitions contributed to the reformulation of their projects, because they were less probable to reformulate them.

In general, winners valued more the contribution of the competitions to improve their projects and to improve their entrepreneurial abilities.

This is an ongoing research project and the results shown here came from the first exploratory questionnaire. The main limitation of this study is the small size of the sample.

Further research needs to be done with a larger sample.

Also further work needs to be done to measure the overall of these competitions to the societies' attitudes toward entrepreneurship.

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